

NAVIGATING A COMPETITIVE & CONSTRAINED MARKET

5 Healthcare Trends to Watch

The medical office sector is undergoing significant changes driven by demographic trends, evolving care delivery models, and strong interest from capital markets. While demand remains robust, the complexity of the environment for healthcare providers is increasing due to limited new supply, rising occupancy costs, and high turnover in ownership.

Healthcare systems and physician groups are adapting to shifts in how and where care is delivered, with a focus on outpatient and consumer-oriented settings. These changes bring both risks and opportunities, necessitating proactive real estate decision-making.

Staying ahead of market trends is vital for healthcare providers, as today's real estate choices will impact cost structures, efficiency, and adaptability to future care models. Understanding the medical office landscape is key to securing favorable spaces, maintaining flexibility, and aligning real estate strategies with long-term clinical and business goals.

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1. AGING POPULATION IS SUSTAINING HEALTHCARE DEMAND

The aging population is driving strong demand in the medical office sector, resulting in high occupancy rates and limited quality options. Healthcare providers must make real estate decisions earlier, considering growth, accessibility, and timing, as delays can lead to higher rents and locations that fail to support care delivery goals.

2. HEALTHCARE SYSTEMS ARE OPTIMIZING PORTFOLIOS MORE AGGRESSIVELY

Consolidations, divestitures, and portfolio reviews are changing how healthcare systems use space. While these shifts may disrupt current users, they also create opportunities through subleasing options and motivated sellers. This allows tenants to secure better leasing terms or more flexible agreements than traditional options typically offer.

3. LIMITED NEW CONSTRUCTION IS PUSHING RENTS AND OCCUPANCY COSTS HIGHER

New developments in the medical office sector are currently limited due to capital market conditions, rising construction costs, and more selective lending. This has increased demand for existing medical office space, resulting in higher rents, operating costs, and budgets for tenant improvements. Providers should evaluate whether to stay or relocate by considering total occupancy costs—encompassing factors like capital requirements, potential downtime, workflow disruption, and long-term flexibility—rather than just the face rent.

4. INVESTOR DEMAND IS KEEPING HEALTHCARE REAL ESTATE HIGHLY ACTIVE

The medical office sector is attracting substantial investor interest due to its stable cash flow and continued demand for healthcare services, leading to increased acquisitions and ownership transitions. Tenants should carefully review lease terms, as provisions regarding assignment, Subordination, Non-Disturbance, and Attornment (SNDA), relocation, and capital projects can significantly affect their protection during ownership changes.

5. THE SHIFT TO OUTPATIENT CARE IS CHANGING LOCATION AND LEASE STRATEGY

As healthcare services shift to outpatient and retail settings, providers are rethinking their locations and offerings. Real estate must focus on convenience, visibility, and patient access while adapting to changing service strategies. Lease structures are increasingly important, with key terms like lease length, renewal options, and permitted use needing alignment with future care delivery. The goal is to enable growth rather than restrict it.

Medical office fundamentals remain favorable for owners but increasingly challenging for occupiers. Providers that take a proactive, portfolio-driven approach that is grounded in early planning, full-cost analysis, and flexible lease structuring will be best positioned to manage costs and support long-term growth in a rapidly evolving healthcare landscape.

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